

Message Text

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ACTION EA-12

INFO OCT-01 IO-13 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
AGRE-00 ISO-00 /104 W
-----082003 230628Z /21

R 230601Z AUG 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 0600
INFO USDOC WASHDC
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 TOKYO 15204

USMTN

E.O. 11652: NA
TAGS: BEXP, JA
SUBJECT: TRADE FACILITATION COMMITTEE CASE NO. 5--
AMERICAN TOBACCO INSTITUTE

REF: TOKYO 14524

1. SUMMARY: EMBOFFS MET AUGUST 15 WITH JAPAN TOBACCO
AND SALT PUBLIC CORPORATION (JTS) REPRESENTATIVE TO
FOLLOW-UP JTS PROPOSAL AT AUGUST 8 WEIL MEETING (REFTEL)
FOR CONSULTATIONS BETWEEN JTS AND AMERICAN CIGARETTE
MANUFACTURERS ON INCREASING IMPORT SHARE OF JAPANESE
MARKET. END SUMMARY.

2. EMBOFFS MET AUGUST 15 WITH JTS REPRESENTATIVE TO
FOLLOW UP JTS PROPOSAL AT AUGUST 8 MEETING WITH
ASSISTANT SECRETARY WEIL FOR (1) JTS CONSULTATIONS WITH
AMERICAN CIGARETTE MANUFACTURERS ON COMMERCIAL
CONSIDERATIONS SUCH AS DISTRIBUTION, ADVERTISING, AND
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PROMOTION RESTRICTIONS, AND (2) GOVERNMENT TO GOVERNMENT
CONSULTATIONS WITH THE FINANCE MINISTRY ON JTS PRICING.

3. JTS REPRESENTATIVE PROPOSED MEETING WITH A SINGLE
REPRESENTATIVE OF THE AMERICAN MANUFACTURERS RATHER THAN
MEETING INDIVIDUALLY WITH EACH FIRM. JTS
PROPOSED AMERICAN TOBACCO INSTITUTE AS POSSIBLE SPOKESMAN

FOR THE INDUSTRY BECAUSE OF ITS INITIATION OF TFC CASE
ALTHOUGH LEFT FINAL DECISION ON REPRESENTATION UP TO
THE AMERICAN INDUSTRY. EMBASSY SUGGESTED MEETING AS SOON
AS POSSIBLE, AND PROPOSED AN INITIAL MEETING BETWEEN
JTS AND THE AMERICAN INDUSTRY IN TOKYO IN MID-SEPTEMBER.

4. EMBASSY HAS REQUESTED JTS ASSISTANCE IN INITIATING
GOVERNMENT TO GOVERNMENT CONSULTATIONS WITH FINANCE
MINISTRY ON JTS PRICING AS SOON AS POSSIBLE. NO
PROPOSAL FOR AN INITIAL MEETING DATE WAS MADE AT THE
AUGUST 15 MEETING.

5. EMBASSY COMMENT: JAPANESE GOVERNMENT IS UNDER
CONSIDERABLE PRESSURE TO MAKE MEANINGFUL CONCESSIONS ON
TRADE ISSUES. THE TOBACCO MONOPOLY'S RESTRICTIVE
ATTITUDE ON IMPORTS HAS BEEN SINGLED OUT BY PRESSURE IN
GENEVA, A TRADE FACILITATION COMMITTEE CASE AND LATER
BY FOLLOW-UP VISIT OF ASSISTANT SECRETARY OF COMMERCE
WEIL. AS A GOVERNMENT MONOPOLY THAT HAS PERMITTED ONLY
A ONE PERCENT IMPORT PENETRATION OF THE JAPANESE DOMESTIC
MARKET, JTS, UNDER FINANCE MINISTRY PRESSURE, IS CAPABLE
OF SIGNIFICANT, UNILATERAL, GOVERNMENT ACTION TO INCREASE
ACCESS TO THE JAPANESE MARKET FOR IMPORTS.

TRADE SOURCES SPECULATE THAT JTS IS CONSIDERING A TEN
PERCENT MARKET SHARE FOR IMPORTS IN RESPONSE TO CURRENT
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FOREIGN AND DOMESTIC PRESSURE. SUCH AN INCREASE
WOULD BE AT SOME COST TO JTS, ALTHOUGH IT WOULD NOT
SERIOUSLY INJURE THE FINANCE MINISTRY'S REVENUE FROM
THE TOBACCO MONOPOLY, JTS'S BUREAUCRATIC SURVIVAL, OR
THE HIGHLY SUBSIDIZED DOMESTIC TOBACCO GROWERS THAT THE
MONOPOLY PROTECTS.

IT WOULD BE NAIVE, HOWEVER, TO INTERPRET THE RECENT JTS
PROPOSAL OF INDUSTRY AND GOVERNMENT CONSULTATIONS, AND
SPECULATION OF AN INCREASE IN THE MARKET SHARE OF IMPORTS
FROM ONE PERCENT TO TEN PERCENT AS A CHANGE IN JTS
ATTITUDE TOWARD IMPORTS. JTS CAN BE EXPECTED TO GIVE
GROUND ONLY UNDER PROTEST, AND ONLY WHEN ITS BEST DEFENSE
IS FULLY PREPARED. IN RECENT YEARS JTS HAS LAUNCHED
MANY NEW BRANDS OF DOMESTICALLY PRODUCED CIGARETTES IN
PREPARATION FOR NASCENT COMPETITION WITH IMPORTED BRANDS.
IN SOME CASES, THE INTRODUCTION OF NEW JTS BRANDS HAS
FOLLOWED CLOSELY THE SUCCESSFUL TEST MARKETING OF
IMPORTED BRANDS WITH STRIKINGLY SIMILAR CHARACTERISTICS.

JTS IS ACTIVELY WORKING TOWARD THE DEVELOPMENT OF
A COMPETITIVE MIX OF CIGARETTES BRANDS, AND SHOULD NOT

BE EXPECTED TO SURRENDER A SEGMENT OF THE JAPANESE MARKET
TO IMPORTS WITHOUT ACTIVE COMPETITION FROM JTS BRANDS.
U.S. CIGARETTE MANUFACTURERS SHOULD HOWEVER TAKE ADVANTAGE
OF THE CURRENT ATMOSPHERE TO REEVALUATE THEIR JAPAN
STRATEGIES, AND MAKE ANOTHER ATTEMPT ON THE JAPANESE
MARKET. THE EMBASSY HOPES THAT U.S. FIRMS, IN ADDITION
TO THEIR OWN PRODUCT PROMOTION, WILL ALSO DISCUSS WITH
JTS THEIR CONCERN WITH JTS LIMITATIONS ON WHOLESALE AND
RETAIL DISTRIBUTION, ADVERTISING, MARKETING, AND
PROMOTION OF IMPORTS AND JTS PRICING.

6. ACTION REQUESTED: DISCUSS PROPOSED MEETING BETWEEN
U.S. INDUSTRY AND JTS WITH THE AMERICAN TOBACCO INSTITUTE,
AND CABLE EMBASSY ASAP REGARDING MID-SEPTEMBER
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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
AGRE-00 /091 W

-----082007 230627Z /21

R 230601Z AUG 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 0601
INFO USDOC WASHDC
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 02 OF 02 TOKYO 15204

USMTN

DATE, AND AMERICAN INDUSTRY REPRESENTATION.

MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 23 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO15204
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780344-0427
Format: TEL
From: TOKYO USMTN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t19780830/aaaaazgf.tel
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Litigation History:
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 TOKYO 14524
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1641822
Secure: OPEN
Status: NATIVE
Subject: TRADE FACILITATION COMMITTEE CASE NO. 5-- AMERICAN TOBACCO INSTITUTE
TAGS: BEXP, JA
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1829a45c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014